

**STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION
OFFICIAL FILE**

Joint Submission for Arbitration Per)
the Amended Plan of Record For)
Operations Support Systems ("OSS"))

I.C.C. DOCKET NO. 00-0592

Ameritech Exhibit No. 16

Witness _____

Date _____ Reporter _____

**SUPPLEMENTAL COMMENTS OF AMERITECH ILLINOIS
REGARDING COMPETITIVE IMPACT OF ISSUES
SUBMITTED FOR ARBITRATION**

At the Commission's August 10, 2000, meeting, the Chairman asked the parties to this arbitration to address in their comments the competitive significance of the issues submitted to the Commission, and the benefits to the competitive marketplace of the parties' respective positions. In a separate filing, Ameritech Illinois has detailed the factual and legal setting of the issues submitted, along with its position on each issue, the bases for its positions, and competitive implications raised by the issues. The purpose of these supplemental comments is to address the competitive significance of this arbitration as a whole, in order to put the various individual issues in their proper perspective, and in that context to discuss AT&T's recent announcement that it plans to offer and actively market in the Chicago area five months of free local and long-distance telephone service to customers who use AT&T's cable facilities for that service.

* * *

Ameritech Illinois is well aware of its obligation to provide nondiscriminatory access to its operations support systems ("OSS"), and does not deny the importance of its continued fulfillment of that obligation in furthering competition in the local telecommunications

marketplace. But that is not the real issue at stake in this arbitration, notwithstanding the likely rhetoric of competing carriers to the contrary. Over the past four years, Ameritech Illinois has worked with competing carriers and with the Commission to develop, maintain, and improve access to OSS — through carrier-to-carrier testing, through meetings among the parties' technical personnel and customer representatives, and through proceedings overseen by this Commission, its counterparts throughout the region, and the FCC. In particular, as part of the conditions for obtaining approval of the SBC-Ameritech merger, Ameritech Illinois committed to a number of significant enhancements to OSS, and to a comprehensive plan of performance measurement and assessment to monitor its provision of access to OSS (and to the products and services those OSS support) on an ongoing basis.

As part of those improvements, Ameritech Illinois has already implemented enhancements to its pre-ordering and ordering systems to facilitate access by requesting carriers to facilities used in providing advanced services, such as Digital Subscriber Line ("DSL") services. Further, Ameritech Illinois has modified the repair and maintenance interface (which can be accessed either by an application-to-application method or by a Graphical User Interface) so that requesting carriers can test loops on-line, while the customer reporting trouble with his or her service is still on the phone. And in the coming months, Ameritech Illinois will carry out major enhancements, including modifications designed to:

1. Update the pre-order and order interfaces to be consistent with version 4 of the industry standard Local Service Ordering Guide;

2. Complement the existing interfaces by adding two new, alternative interfaces for pre-ordering, and a new Graphical User Interface for ordering;
3. Allow requesting carriers to monitor the status of pending and recently completed orders on-line.

As it works to carry out these agreed-upon enhancements, Ameritech Illinois will concurrently be working with KPMG, an independent third party that will be conducting an exhaustive review of the availability and operational readiness of Ameritech Illinois' OSS. Moreover, Ameritech Illinois and its affiliates have worked with competing local exchange carriers ("CLECs") in collaborative workshops for OSS and performance measurement throughout the region, and at the FCC, to address any remaining CLEC questions, concerns, and requests relating to OSS issues. As detailed in our separate Comments, most of the issues that were brought to these collaborative workshops have been resolved by negotiation. The end result of Ameritech Illinois' undertakings — and the massive commitment of time, money, and personnel required to implement them in the organized and thorough manner that is required to modify complex electronic systems properly — will be a set of OSS that not only continues to meet the Act's requirement of nondiscriminatory access, but also keeps pace with industry standards and evolving product and service offerings, and addresses legitimate CLEC business concerns.

The remaining issues do not affect the underlying question of OSS access. Indeed, some of the issues submitted by competing carriers do not concern OSS at all; they involve disputes over what products or services (such as the unbundled network element "platform") Ameritech

Illinois is obligated to provide. As for the rest of the submitted issues, in most cases Ameritech Illinois has already proposed a compromise solution to address the carriers' core concerns; the dispute is either over the timing (*i.e.* the carriers wish to accelerate implementation) or the details of the solution.

Ameritech Illinois expects the carriers will invoke the name of competition to rationalize their improper importation of non-OSS issues into this accelerated arbitration (which was established solely for the limited purpose of concluding "Phase II" of the merger condition related to OSS, with a fast-track timetable commensurate with that limited focus), and their unrealistic demands that Ameritech Illinois implement system changes at the drop of a hat, and to their exact specifications. Thus, we expect every carrier will claim that every product or service, every desired OSS enhancement, and every day their implementation is accelerated, are all "critical" to its business plans and will "jump-start" competition in the local market.

Conclusory statements about competition are easy enough to make. But the Commission, and consumers, should be concerned with competition in the real world, not in briefs. The definitive voice of competition comes from businesses and consumers, not from the CLECs' lawyers and consultants. And the voice of the real world belies the CLECs' assertions that their OSS proposals are necessary for effective market entry and essential to compete in the local marketplace.

CLECs already serve over an estimated 1,000,000 access lines in Illinois, and have collocated in approximately 166 wire centers that provide access to significant numbers of residential and business access lines. Local competition is not just alive, it has matured to the

point where a full-fledged, facilities-based residential competitor is offering free local exchange service. Just this week, AT&T announced an "aggressive give-away campaign" to woo local telephone subscribers and carry out its \$100-billion plan to compete using its own, cable-based facilities. Deborah Solomon, *AT&T to Offer Free Cable Telephony in Campaign to Hit Subscriber Goals*, Wall St. J., Aug. 30, 2000, at A3 (attached as Ex. 1 hereto). Under the new marketing campaign, expected to begin almost immediately in Chicago and other cities nationwide, AT&T will offer free installation and up to five months of free local and long-distance phone service. *Id.* Industry observers describe the campaign as "a smart way to attract thousands of new users to the company's service" and note that it "could fuel rapid growth." *Id.*

For the market, AT&T's announcement reflects exactly the sort of facilities-based competition that Justice Breyer of the United States Supreme Court described as the best bet for meaningful competition in the local market: "It is in the *unshared*, not the shared, portions of the enterprise that meaningful competition would likely emerge." *AT&T Corp. v. Iowa Utils. Bd.*, 525 U.S. 366, 429 (1999) (Breyer, J., concurring in part and dissenting in part). It is also exactly what Congress had in mind when it passed the Telecommunications Act of 1996. *See Telecommunications Act of 1996*, H.R. Conf. Rep. No. 458, 104th Cong., 2d Sess., at 148 (1996): "Some of the initial forays of cable companies into the field of local telephony therefore hold the promise of providing the sort of local residential competition that has consistently been contemplated.").

For this proceeding, AT&T's timely unveiling demonstrates that the carriers' attempts to commandeer Ameritech Illinois' human and electronic resources, and to force them to implement

numerous modifications on demand and to carrier tastes, will not have any real impact on local competition. Rather, competitive entry will either be driven or impeded by the choices of the entrants themselves. Although OSS capabilities are important — and Ameritech Illinois does not deny that fact — the issues being submitted for arbitration essentially represent enhancements at the margin (and expensive, burdensome enhancements at that). Ameritech Illinois' OSS, with the modifications already agreed to and on the drawing board, will not only meet but exceed the capabilities currently available to its own retail personnel, and thus satisfy the standards for nondiscriminatory access to facilitate competition.

A very real impact of the carriers' proposals, however, is not on the local market, but on the long-distance market. Modifications to processes and to electronic systems are neither free nor instantaneous. They take time, people, money, and planning. Implementing the carriers' proposals, at the level of detail and the accelerated time frame the carriers request — and on top of the already substantial commitments Ameritech Illinois has agreed to undertake, not to mention the normal work to serve wholesale customers and retail end users alike — would impose a massive burden on Ameritech Illinois. Thus, the likely result of the carriers' proposed OSS micro-management will be to delay Ameritech Illinois' entry into the long-distance market. That is certainly not the competitive impact the Commission had in mind for this arbitration.

Respectfully submitted,

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its tires met Ford specifications and were only mislabeled. The labeling error "is simply that, an error, which could happen to anybody. Had that not been the case,

result, Ford's credibility with U.S. consumers, legislators and regulators may suffer," he said in a research bulletin. In 4 p.m. composite trading on the New

AT&T to Offer Free Cable Telephony In Campaign to Hit Subscriber Goals

By DEBORAH SOLOMON

Staff Reporter of THE WALL STREET JOURNAL

AT&T Corp., scrambling to meet a year-end promise to Wall Street to sign up thousands of new cable-telephony customers, plans to offer as many as five months of free local and long-distance service to people who subscribe.

The new marketing campaign, which is expected to begin in a number of big cities

Cable Commitment

AT&T's investment in Excite At Home is a closely watched part of its broadband strategy. Article on page B7.

on Friday, is aimed at boosting the number of AT&T consumers for "cable telephony," industry parlance for phone service over cable-TV lines. The campaign offers free installation and as many as five months of free local and long-distance phone service.

AT&T confirmed details of the new campaign, which marks an expansion of an existing marketing plan that also offers free installation and service.

The aggressive give-away campaign is being announced just days after AT&T said it plans to lower its third-quarter earnings forecast to reflect the results of expanding its stake in Excite At Home Corp., the high-speed Internet firm.

Yesterday, AT&T announced that it would fold results for Excite At Home, which provides high-speed Internet access over cable-TV lines, into AT&T's financial statements a quarter earlier than expected. As a result, AT&T said earnings for the third period would be five cents a

share below expectations. AT&T shares rose 94 cents to \$31.88 at 4 p.m. in New York Stock Exchange composite trading.

AT&T has thus far spent about \$100 billion to snap up big cable-TV companies, aiming to use their pipes to offer phone service nationwide. The buying binge has left AT&T saddled with \$56 billion in debt, a heavy load that is causing credit agencies to take another look.

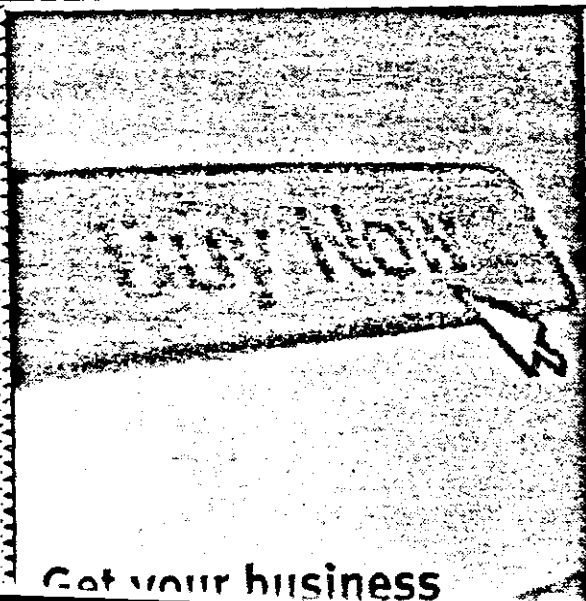
Standard & Poor's yesterday placed ratings for AT&T and its units on CreditWatch with negative implications, saying the placement "reflects concerns regarding AT&T's cable-television strategy, long-term prospects for AT&T's core long-distance business, a more aggressive wireless expansion plan, and the company's overall strategic direction," S&P said. However, S&P also said AT&T's cable plans are "a reasonable long-term strategy."

AT&T said S&P's move "is not a change in AT&T's debt rating; it is a credit watch pending further discussions with the company." AT&T, in the statement, affirmed its commitment to its continuing cable strategy and noted that its financial position "continues to be solid."

Industry observers said the cable-telephony campaign is a smart way to attract thousands of new users to the company's service and could fuel rapid growth.

F. Drake Johnstone, an analyst with Davenport & Co., said he has had a "hold" rating on AT&T's stock, in part because he is "skeptical that they'll meet the cable-telephone goal." However, he added, this campaign "is the kind of aggressive move that could put AT&T back on track."

The new marketing campaign full of
Please Turn to Page A6, Column 1



Get your business

No matter what business you're in, no matter how big your company is, becoming "e" is essential to staying competitive and quite soon, staying in business. But how do you take your company from brick and mortar to the Web? It's not as difficult as you might think. Navision Web Shop, the e-business tool from Navision Software, integrates your back office processing with Web ordering—the first step in getting your company on line.

Web Shop lets you set up and maintain your storefront directly from Navision Financials, Navision's proven business management solution for mid-market businesses. No

Will you handle your roll

Will you always have an

Will you avoid tax traps

Will you be shredding it

Get help with the answers to
new Retirement Resolutions

If you're a few years away from
to help you:

- ◆ Create a retirement plan that meets your needs and personal goals
- ◆ Utilize helpful financial tools
- ◆ Discover rollover services for your 401(k) or IRA
- ◆ And take advantage of alliance brands to:

- Get educational insurance
- Develop strategies to help you grow
- Examine ways to improve your business
- And even find your ideal retirement plan

Begin planning your future today

ENVISION YOUR RETIREMENT

...the... can't... like this," says... an account executive for... Werner Enterprises Inc. "It's no wider than someone's driveway."

The Illinois Department of Transportation is trying to unravel the Strangler. A \$97 million project now under way will widen nearby roads and build automatic gates to regulate the flow of traffic through the bottleneck. But agency officials say the real solution would be to widen parts of the Eisenhower Expressway, an undertaking that would cost about \$800 million.

Indianapolis is hoping to avoid such Chicago-style woes. But in the farm fields northeast of the city, new housing developments are sprouting up like crops. The population of the once-rural town of Fishers, 20 miles from downtown, has grown to 41,000 from 7,000 in 1990. Bottlenecks have formed at highway interchanges along routes into the city, and the regional planners are considering remedies ranging from extra freeway lanes to commuter trains.

For its part, Fishers has built a train sta-

...ive project... "It's not only an aesthetic affront to the quality of life we want, but it doesn't solve the problem," says Maryland Gov. Parris Glendening, who sometimes holds up a rendering of the rebuilt interchange during speeches. Gov. Glendening is pursuing a policy he calls "smart growth," which includes expanding mass transit, limiting infrastructure spending outside of growth zones and subsidizing the closing costs of those who buy a home within walking or biking distance of work.

Some Virginia companies are clamoring for a "Techway" bridge over the Potomac River that would connect them with employees who live in Maryland's Montgomery County. They argue that the road would siphon off traffic before it gets on the Beltway. But Maryland officials fiercely oppose the road, which would cut through an agricultural reserve. "People go there to escape city life and refresh themselves," says Montgomery County Executive Douglas Duncan. "Putting an enormous highway in the middle of it would destroy 40 years of land use

...not get snagged in the gridlock," says Mike McMorris, an AOL senior software engineer and ferry user. "It doesn't move fast, but it keeps you out of the chaos."

Sales of New Homes Rose Sharply in July, Beating Expectations

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dence slipped slightly during August, but remained near its historic high as Americans demonstrated continued faith in the economy. The index slipped to 141.1 from 143 in July.

"Regarding the outlook, it was the labor market again," said Lynn Franco, an economist who oversees the survey. "People expect fewer jobs to be available in the coming months."

The percentage of Americans polled who described jobs as "hard to get" rose to 10.6%, compared with 9.6% during July.

The number of respondents expecting fewer jobs to be available in six months also rose one percentage point, to 11.2%.

Although the index fell slightly during August, it is still at historically high levels. "Consumers remain optimistic overall," Ms. Franco said.

That is reflected in their buying plans. Even as consumers say they are less confident in the economy as a whole, the numbers of those who are planning to buy cars, houses and major appliances during the next six months all rose.

As for the new-home report, "there's an upside risk to the housing sector's performance, at least as far as the Fed's concerned," the NAHB's Mr. Seiders said.

If the new-home sales number isn't radically revised, he said, it "certainly presents a complication."

A surge in the housing market doesn't fit the picture of moderating growth—the so-called soft landing—many economists have been waiting for.

New-home sales rose 23.9% in the Midwest and 22.86% in the West. The pace was slightly slower in the South, climbing 11.3% for the month.

Only the Northeast saw a decline, slipping 11.4% as the rest of the country gained.

AT&T Offers Free Service in Bid To Gain Cable-Telephony Clients

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freebies is being announced as AT&T is trying to bulk up its cable-telephone and Internet businesses. The company has promised to have 500,000 to 650,000 cable-telephony customers by year end. AT&T has about 224,000 on hand, including the cable-telephony consumers of MediaOne Group Inc. (AT&T recently acquired MediaOne.)

To meet that goal, analysts said, AT&T would have to sign up about 3,500 customers a day. That is more than double the second-quarter average of 1,200 clients per day the company told analysts it was adding. AT&T said it is now up to 1,600 installations per day.

The new campaign offers free phone service—local and long distance—from Sept. 1 through Jan. 31, 2001. People who sign up for AT&T-branded local phone service in September will get the full five months of free service. Those who sign up later will still get free service through the Jan. 31 cutoff, but won't get all five months. There is no contract, and customers aren't required to keep the service for any length of time.

The promotion is being launched in a number of big cities, including San Francisco, Seattle, Chicago and Dallas.

A similar marketing strategy is being aimed at AT&T's high-speed Internet business. Under another campaign, AT&T is offering free installation and free service to people who sign up for its Excite At Home high-speed Internet service.

Beginning in October, customers in some markets who sign up for Excite At Home will get free service until Dec. 31, 2000. In other markets, a special six-month rate of \$19.95 per month is being offered. The service usually costs about \$40 a month. AT&T said it hasn't decided which

markets will qualify for the most aggressive freebies.

As with cable telephony, the give-away appears aimed at boosting subscribers—quickly.

Excite At Home has promised investors that it will have three million subscribers by year end, a third more than the two million it has currently. Excite At Home recently fell short of its targets, but has since said it is catching up. AT&T has a 25% equity stake and a 76% voting interest in Excite At Home.

Meeting the projected numbers—both in cable telephony and high-speed Internet—is crucial to AT&T. The telecommunications giant earlier this year scaled back revenue forecasts amid slower growth in its consumer long-distance and business units. The company's stock is 32% off its 52-week high on concerns about whether AT&T can turn around its business and successfully execute its cable-TV plans.

Analysts say AT&T, at this point, needs a win. "There's a psychological value to meeting the subscriber numbers," said Kevin Roe, an analyst with ABN Amro. "Given the recent disappointments on the business side, AT&T needs to be firing on all cylinders. It can't afford any more disappointments."

It is unclear if the campaign will yield lasting results for AT&T. Though customers will get free phone service thanks to the campaign, AT&T will still be shelling out a bundle to install their service. Unlike traditional phone service, which can be turned on electronically, cable telephony requires a home visit by an AT&T technician that can last several hours. That means high labor costs, with no guarantee that the consumer will continue to take the service once the free period expires.

	July 2000 CONSTR. CONTRACT VAL. (000,000)	SEAS. ADJ. CHG. FR PREV. MO
Nonresidential bldg.....	\$150,646	-
Residential building.....	185,645	-
Nonbuilding constr.....	98,090	+
Total construction.....	434,381	-

a-Monthly construction contract values are reported or annualized, seasonally adjusted basis.

	July 2000 (000,000)	July 1999 (000,000)	CHG % C
Nonresidential bldg.....	\$94,212	\$99,745	-
Residential building.....	120,726	116,378	+
Nonbuilding constr.....	51,266	51,312	-
Total construction.....	266,204	267,435	-